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GENERAL

1. Resumption of ECA aid to Indonesia held unwise--US Representative Cochran in Batavia has commented, in reply to a Department of State query, that the adverse Republican reaction to the resumption of ECA aid to Indonesia would not in any way be counterbalanced by the limited economic benefits which Indonesia as a whole would receive. Cochran believes that the resumption of ECA aid would undermine Republican Premier Hatta's influence because it would be viewed both in Indonesia and abroad as a weakening of US support for the position taken by the Security Council. He emphasizes that restored aid would be regarded by the Republic as a reversal of US policy in favor of the Dutch, just prior to the critical period of the Republicans' return to Jogjakarta and the convening of The Hague Conference.

CIA/S

NEAR EAST - AFRICA

2. PALESTINE: Bunche to confront Israel with resignation threat-- CIA/Conf. Acting UN Mediator Bunche has informed the US delegation in New York that he plans to tell the Israeli representative bluntly that unless Israel withdraws completely from the demilitarized zone in Jerusalem, he will submit his resignation to the Security Council, citing Israeli violation of the armistice agreement as his reason. Bunche told the US delegation that Israeli representatives on the Mixed Armistice Commission had vetoed a proposal, backed by Jordan and the UN representative, calling for withdrawal of both sides from the demilitarized zone. The US delegation adds that Bunche is "thoroughly disgusted" with Israel's policy concerning Jerusalem and has characterized it as "criminally crooked."

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